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FM AMEMBASSY NOUAKCHOTT
TO RUEHC/SECSTATE WASHDC 5507
INFO RUEHZK/ECOWAS COLLECTIVE
RUCNISL/ISLAMIC COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0313
RUEHDO/AMEMBASSY DOHA 0086
RUEHDE/AMCONSUL DUBAI 0009
RUEHBD/AMCONSUL PERTH 0277
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEKDIA/DIA WASHDC
RUEHNO/USMISSION USNATO 0221

C O N F I D E N T I A L NOUAKCHOTT 000606

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STATE FOR AF/W; AF/EPS (A. ADLER, J. HAENI)
EB/ESC/IEC (K. RIOS)
EB/CBA (D. WINSTEAD)
4510/IEP/ANESA/OA/PMICHELINI
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DAKAR FOR RSCO CGRIFFIN

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SUBJECT: MAURITANIAN OIL PRODUCTION FALLS DUE TO POSSIBLE
TECHNICAL PROBLEMS

Classified By: Amb. Joseph LeBaron, Reason 1.4 (b),(d)

(U) Key Points

-- Production at the Chinguetti Project fell last week, due to technical problems. Project partners are taking this problem very seriously, but the Mauritanian Ministry of Oil and Energy Officials believe it can be easily resolved.

(C) Comments

-- Woodside's Country Manager John Ozturgut has warned all along that the 75,000 barrel a day estimate was the highest estimated production rate and should not be considered a constant rate of production. Now investors are taking note.

-- If the Woodside-led consortium does not find an immediate solution, oil production will continue to remain low in the coming weeks or months. The world oil price, despite its slight decline this week, continues to be in favor of Chinguetti's oil revenue forecast. Mauritanian oil and energy authorities are not disappointed with the current production.

End Key Points and Comment.

[¶1.](#) (U) The Mauritanian oil production in the Chinguetti Field suddenly fell last week and this trend is likely to continue in the coming weeks. After a boom in March and April, production dropped during the first week of May from 70,000 barrels a day to 45,000 barrels. This decline is attributed to the high percentage of gas in the oil.

[¶2.](#) (C) According to Woodside's Corporate Affairs Manager Brendan Augustin, the low level of production could be attributed to reservoir performance. He claims "the reserves are fine but the actual well may not be a best performer." He explained that there could be a variety of problems

ranging from a well head malfunction or an inefficient well. Augustin said that this was common during the life of a project but Woodside did not expect the decrease to occur so soon, but was anticipating this to occur next December or January.

¶3. (U) Government sources hold out the hope that the decrease is the result of a gas compressor that failed last week, creating a malfunction in the gas and oil separation process. When this failure occurred, producers decided to reduce the production volume to its minimum level in order to avoid more losses from the production well, but that the problem can be resolved.

¶4. (C) Augustin states they are still analyzing this problem and expect to find a solution in the upcoming weeks. However, the situation may last several weeks or months, especially if a new well needs to be drilled. Experts are currently working on the site to determine the exact cause.

¶5. (U) The decrease of Chinguetti's production had a negative effect on Woodside's and its partner's shares in the stock market. Production from Chinguetti is not expected to increase significantly before the end of the third quarter of 2006.
LeBaron